

Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



September 25, 2007

Advice No. 07-08-G

Oregon Public Utility Commission
550 Capitol Street, NE
Salem, OR 97310-1380

Attention: Ms. Vikie Bailey-Googins

Enclosed for filing with the Commission is a copy of the following tariff sheet applicable to Avista's Oregon natural gas sales customers/schedules:

First Revision Sheet 495 – Glendale Surcharge
Canceling Original Sheet 495 – Glendale Surcharge

In Advice No. 07-02-G, Avista filed Original Schedule 495 for illustrative purposes, a surcharge tariff related to the conversion of the town of Glendale from propane air to natural gas service. The Stipulation related to the Glendale conversion was provided with that filing. In compliance with the Stipulation, filed herewith is the proposed Glendale Surcharge (Surcharge) tariff to become effective Nov. 1, 2007, coincident with the Company's proposed PGA rate change. The Stipulation is also filed herewith for Commission approval, attached as Exhibit A. The Surcharge tariff is designed to recover \$122,000 annually from gas sales customers, based on projected sales volumes for the Nov. 2007 – Oct. 2008 period. The derivation of the proposed surcharge rate is shown on Page 1 of Exhibit B. The Company's sales customers presently pay approximately \$122,000 annually through the 2006 PGA rates, representing the difference in cost between propane and natural gas to serve Glendale. This amount will now be collected through this Surcharge tariff and is not included in the Company's 2007 PGA filing, therefore, there will be no net rate change to customers associated with service to Glendale. A separate filing requesting authorization to utilize deferred accounting related to the proposed tariff has been submitted by the Company coincident with this filing.

Construction of the gas main to provide service to Glendale has been completed and natural gas has begun flowing. As part of this filing, page 4 of the Stipulation requires the Company to provide workpapers showing that the revenue requirement associated with providing natural gas service to Glendale is at least \$122,000. Page 2 of Exhibit B shows the estimate of the first-year revenue requirement to be \$220,584, based on a total project cost of approximately 1.5 million. The estimated first-year revenue requirement excludes any effect of the Business Energy Tax Credit (BETC) the Company will receive related to Glendale. The Company plans to file a

general rate case in October 2007. The Company will receive the total BETC over a five-year period, beginning with the first installment in the latter part of 2008. This first installment will be reflected in the Company's 2007 Oregon state income tax return, filed in October 2008. New general rates will likely be effective prior to October 2008, and those general rates will include the lower rate base reflecting the entire BETC (gross plant less BETC credit). This Surcharge tariff will be discontinued coincident with the effective date of new general rates. Therefore, it is appropriate to exclude the effects of the BETC in the first-year revenue requirement.

Also enclosed is page 3 of Exhibit B, which shows a summary of the project costs and page 4 which shows the estimated annual depreciation expense using present depreciation rates (page 5).

Avista requests that the proposed tariff sheet become effective on November 1, 2007.

If you have any questions regarding this filing, please contact Brian Hirschorn at 509-495-4723.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly Norwood
Vice President – State & Federal Regulation

Enc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Utilities', a division of Avista Corporation, Advice No. 07-08-G, First Revision Sheet 495 – Glendale Surcharge, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

Mr. Edward Finklea
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136
efinklea@chbh.com

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Jason@OregonCUB.org
Bob@OregonCUB.org
Lowrey@OregonCUB.org

Ms. Paula Pyron
Executive Director
Northwest Industrial Gas Users
4113 Wolfberry Court
Lake Oswego, OR 97035
ppyron@nwigu.org

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 25th day of September 2007.



Patty Olsness
Rates Coordinator

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 495

GLENDALE SURCHARGE – OREGON

APPLICABILITY:

This surcharge applies to all rate schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon.

PURPOSE:

The purpose of this surcharge is to allow the Company to collect approximately \$122,000 annually from all natural gas sales customers in order to partially reimburse the Company for the annual revenue requirement associated with capital investments made by the Company in order to provide natural gas distribution service to the town of Glendale, Oregon, in lieu of the previous provision of propane service included in all natural gas sales customers rates.

MONTHLY RATE:

Charge Per Therm: \$0.00137

SPECIAL CONDITIONS:

1. The surcharge rate set forth above will be billed in addition to all other rates and charges for natural gas sales service set forth in the Company's tariff.
2. This Schedule will remain in effect until the effective date of the Commission authorized rates resulting from the Company's next general rate filing. However, if the investment to provide service to Glendale has been fully depreciated prior to a general rate filing, this tariff will be discontinued at that time.
3. The Monthly Rate set forth above will be adjusted annually, coincident with the Company's annual Purchased Gas Cost Adjustment. A separate balancing account will be maintained to track the actual revenue collected under this Schedule compared to the projected amount of \$122,000 annually. The Monthly Rate will be adjusted annually to collect \$122,000 plus or minus the amount in the balancing account over the effective twelve month period.

Advice No. 07-08-G
Issued September 25, 2007

Effective For Service On & After
November 1, 2007

Issued by Avista Utilities
By

, Vice President, Rates & Regulation

Kelly Newwood

EXHIBIT A
GLENDALE STIPULATION

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 UG 07-

4 In the Matter of) STIPULATION REGARDING
5 AVISTA CORPORATIONS) GLENDALE CONVERSION TO
6 Application for Approval of Rate) NATURAL GAS
7 Making Treatment Associated)
8 With the Conversion of the Glendale)
9 Propane System)

11 The parties to this stipulation agree to recommend that the Commission authorize certain
12 ratemaking treatment related to the conversion of the Company's current propane system in
13 Glendale, Oregon to a natural gas system.

14 **PARTIES**

15 The Parties to this Stipulation are Avista Corporation ("Avista" or "Company"), the Staff
16 of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB"), and
17 the Northwest Industrial Gas Users (NWIGU) (collectively, "Parties").

18 **BACKGROUND**

19 The Glendale Propane System was initiated as a temporary system by CP National in
20 1966 with the intention of converting the system to natural gas; however, the conversion did not
21 occur. Avista acquired the system in 1991 when the Company purchased CP National's Oregon
22 natural gas operating properties. The Glendale propane assets include a small underground
23 propane system which is operated by the Company's Medford Operations. The system provides
24 firm propane distribution service to 128 residential and 30 commercial customers in Glendale.
25 The community of Glendale, Oregon has a population of approximately 860 people and is
26 located 21 miles south of Roseburg and approximately 20 miles north of Grants Pass, Oregon.

1 In 2002, much of the piping, valves and fittings on the propane supply tank were rebuilt.
2 This project improved the safety and reliability of the system. Continuing to operate a propane
3 system obligates Avista to continue to update and maintain propane training programs, operating
4 and maintenance plans, operator qualification plans, and to stay current with new propane
5 regulations. In addition, Avista will soon need to address additional propane storage, as the
6 energy needs of the town are outgrowing the capacity of the existing system. This will require
7 ongoing capital outlays for a system that could be more reliably served with natural gas. In
8 2004, a concentrated effort was made to reassess the Glendale Propane System and determine the
9 Company's costs to convert the system to natural gas. This effort continued into 2005 when an
10 extensive field study was undertaken and formal discussions began with Williams Pipeline, the
11 Glendale City Council, Glendale customers and others to estimate the cost and engineering
12 requirements to provide natural gas service to Glendale.

13 All of the Company's natural gas customers absorb the difference between the cost of
14 natural gas and propane for Glendale customers. The present difference between the cost of
15 natural gas and propane is approximately \$122,000 per year. This mechanism was in place prior
16 to Avista acquiring the CP National properties. As part of the Company's annual purchased gas
17 adjustment filings, the cost of acquiring propane for Glendale customers is combined with the
18 cost of acquiring natural gas for Avista's Oregon natural gas sales customers. The combined
19 commodity cost is then averaged across all sales customer classes.

20 21 **GLENDALE CONVERSION**

22 The Company is planning to convert the current propane system in Glendale, Oregon to a
23 natural gas system. Avista made the decision to proceed with upgrading the Glendale system to
24 natural gas after extensive internal analysis over a period of several years. To take advantage of
Page 2 – STIPULATION REGARDING GLENDALE CONVERSION TO NATURAL GAS

1 certain construction economies, contracts between Avista and Williams Pipeline were signed in
2 August 2006, and plans were set in motion to complete the pipeline tap and gate station
3 construction with an in-service date for the station of May 1, 2007. A separate phase of the
4 project is also scheduled to begin in the Spring of 2007 to run a gas distribution line
5 approximately 4.2 miles into Glendale. The Company will utilize the existing distribution
6 system within Glendale and plans to provide natural gas service to Glendale by the beginning of
7 the 2007-08 winter heating season.

8 The total cost of project is estimated to be \$1.3 million. Nearly all of the construction
9 cost consists of the tap connection to the Williams transmission system and the 4.2 mile line to
10 the Glendale distribution system.

11 In an effort to mitigate the cost of the conversion project, Avista applied for an Oregon
12 Business Energy Tax Credit (BETC). The Oregon Department of Energy (ODOE) has approved
13 the application and the Company has received certification that BETC funding is reserved for the
14 conversion project. The net amount of the BETC credit is approximately \$455,000 or 35% of
15 the total project cost, which will be used to reduce the capital investment (rate base) as it is
16 received over 5 years - 10 percent the first two years and 5 percent each year for three years
17 thereafter. The net cost of the conversion project, including the BETC, is approximately
18 \$850,000.

19 PROPOSAL

20 The present difference between the cost of natural gas and propane is approximately \$122,000
21 annually, as described earlier. The Company will file a separate tariff to continue to collect the
22 \$122,000 annually from all natural gas sales customers to be effective coincident with the effective date
23 of the Company's 2007 PGA. The \$122,000 annual surcharge will partially reimburse the Company for
24 the annual revenue requirement associated with providing natural gas distribution service to Glendale.

1 At the time of the tariff filing, the Company will provide workpapers showing that the expenditures are
2 prudent and the annual revenue requirement associated with providing this service is at least \$122,000.
3 The Company will absorb any difference between the annual revenue requirement associated with
4 providing distribution service to Glendale and the \$122,000 surcharged annually to customers until the
5 effective date of the Company's next general rate change.

6 The separate surcharge tariff would remain in effect until new rates are implemented as a result
7 of the Company's next general rate filing. In that general rate case filing, the Company will include any
8 remaining unamortized investment associated with the Glendale conversion into rate base, net of the full
9 amount of the BETC credit of approximately \$455,000. The Parties will support the inclusion of the
10 unamortized investment into rate base, as described above, in that proceeding.

11 12 AGREEMENT

13 1. The Parties agree that this Stipulation is in the public interest and results in an
14 overall fair, just and reasonable outcome.

15 2. Should the Commission fail to adopt the Stipulation, or should the Commission
16 materially modify the Stipulation, any Party hereto shall have the right to withdraw from the
17 Stipulation.

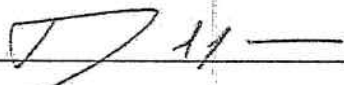
18 3. This Stipulation may not be modified or amended except by written agreement
19 among all Parties who have executed it.

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3 DATED this ___ day of February, 2007.

4 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

5
6
7
8
9 By: 

By: _____

10
11 Date: Feb 20, 2007

Date: _____

12
13
14
15 NORTHWEST INDUSTRIAL GAS USERS

CITIZEN'S UTILITY BOARD

16
17
18 By: _____

By: _____

19
20 Date: _____

Date: _____

21

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3 DATED this ___ day of February, 2007.

4 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

5
6
7
8
9 By: _____

By: Paul A. Graham

10
11 Date: _____

Date: 2/22/07

12
13
14
15 NORTHWEST INDUSTRIAL GAS USERS

CITIZEN'S UTILITY BOARD

16
17
18 By: _____

By: _____

19
20 Date: _____

Date: _____

21

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3 DATED this __ day of February, 2007.

4 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

5
6
7
8

9 By: _____

By: _____

10
11
12
13

11 Date: _____

Date: _____

14
15
16
17

15 NORTHWEST INDUSTRIAL GAS USERS

CITIZEN'S UTILITY BOARD

18 By: _____

By: *[Handwritten Signature]*

19
20
21

20 Date: _____

Date: 2-20-07

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3 DATED this ___ day of February, 2007.

4 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

9 By: _____

By: _____

10
11 Date: _____

Date: _____

15 NORTHWEST INDUSTRIAL GAS USERS

CITIZEN'S UTILITY BOARD

17
18 By: Paula E. Pyron

By: _____

19
20 Date: February 15, 2007

Date: _____

21

EXHIBIT B
GLENDALE SURCHARGE RATE
& 1ST YEAR REVENUE REQUIREMNT

Avista Utilities
 Calculation of Glendale Surcharge Rate for Nov 2007 - Oct 2008

	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Total
Forecast Billed Therms													
Total Therms	4,011,973	7,864,219	8,543,958	8,291,431	6,994,216	4,851,146	3,635,119	1,872,046	1,179,743	1,002,600	1,112,106	1,714,633	
410 Residential	2,162,028	4,083,108	4,771,112	4,096,088	3,481,749	4,474,285	1,893,307	1,114,888	865,555	774,440	912,338	1,149,580	
420 Commercial	316,213	419,591	446,166	472,672	407,098	337,697	309,740	280,684	229,259	198,855	202,252	257,170	
424 Industrial	5,188	2,086	14	-	30	1,283	1,135	4,535	9,312	11,885	137,685	8,605	
444 Seasonal	6,495,402	12,369,004	13,761,250	12,860,191	10,883,093	9,664,411	5,839,300	3,272,152	2,283,869	1,987,780	2,364,382	3,129,988	
DEMAND THERMS	307,733	340,265	392,964	657,474	381,789	410,119	422,148	354,498	282,178	183,387	363,703	199,741	
440 Interruptible	6,803,135	12,709,269	14,154,214	13,517,665	11,264,882	10,074,530	6,261,448	3,626,650	2,566,047	2,171,167	2,728,085	3,329,729	89,206,821
COMMODITY THERMS													

Annual Glendale Surcharge \$122,000
 Est. Annual Sales Therms 89,206,821
 Proposed Rate \$0.00137

Avista Utilities
1st Year Revenue Requirement Associated with Service to Glendale
Nov. 1, 2007 - Oct. 31, 2008

	1st Year
	Operating
	<u>Expense</u>
Depreciation Expense	\$70,927
Property Tax @ 1.5% of Gross Plant	<u>\$22,180</u>
Total Expenses	\$93,107

	1st Year
	Avg.
	<u>Rate Base</u>
Glendale Project Detail:	
Gross Plant	\$1,478,693
Accumulated Depreciation (average of 12/31/07 and 12/31/08)	\$56,150
Accumulated DFIT (average of 12/31/07 and 12/31/08)	<u>(\$26,061)</u>
Net Rate Base	\$1,448,604
Times: Authorized ROR	<u>0.088</u>
Return on Rate Base	\$127,477
1st Year Rev. Require.	\$220,584

AVISTA UTILITIES
Est. Glendale Depreciation

Acct 303 tax deprec. Rate 3.33% 6.67%
 Acct 375-380 tax deprec. Rate 5.00% 9.50%
 Acct 397 tax deprec. Rate 14.29% 24.49%

Project #	FERC Acct.	Estimated Cost(1)	Current Depreciation Rate	Estimated Annual Depreciation Expense		2007 Tax Depreciation	2008 Tax Depreciation	Accum DFIT 12/31/07	Accum DFIT 12/31/08
				12/31/07	12/31/08				
Glendale Gas Conversion:									
(Date Placed in Service 9/07)									
various	303000	67,374	20.00%	13,475	3,930	17,405	2,244	1,573	4,716
various	375000	5,646	3.00%	169	49	218	282	(69)	(197)
various	376000	785,127	3.40%	26,694	7,786	34,480	39,256	(9,068)	(25,830)
various	378000	82,517	4.80%	3,961	1,155	5,116	4,126	(751)	(2,108)
various	379000	271,438	4.70%	12,758	3,721	16,479	13,572	(2,518)	(7,078)
various	380000	246,966	4.60%	11,360	3,313	14,673	12,348	(2,334)	(6,570)
various	397000	19,625	12.79%	2,510	732	3,242	2,804	(542)	(1,346)
Project Total		1,478,693		70,927	20,686	91,613	74,632	(13,709)	(38,413)

(1) From Page 4 of Exh. B

AVISTA UTILITIES
Glendale Project
Summary of Estimated Costs by Type & FERC Account

	Pipeline		4 Miles		Town		Total
	Intangible(1) & Reg. Station	Gate Station	6" PE Pipe(2)	Telemetry	Conversion(3)		
Avista Labor	\$ 24,814	\$ 26,125	\$ 6,824	\$ 2,000	\$ 46,576	\$	106,339
Avista Materials	\$ 57	\$ 19,005	\$ 114,995	\$ 2,997	\$ 35,759	\$	172,814
AFUDC	\$ 2,349	\$ 17,718	\$ 4,991	\$ 91	\$ 198	\$	25,348
Contractor Work	\$ 41,109	\$ 284,478	\$ 620,078	\$ -	\$ 183,654	\$	1,129,320
Other - Final Proj	\$ 13,081	\$ 12,274	\$ 244	\$ 500	\$ 18,774	\$	44,872
Project Totals	\$ 81,410	\$ 359,601	\$ 747,132	\$ 5,589	\$ 284,961	\$	1,478,693

Allocation Percentages to FERC Accounts(4):

303000	82.76%						
375000		1.57%					
376000			100.00%			13.33%	
378000		22.95%					
379000		75.48%					
380000						86.67%	
397000	17.24%			100.00%			
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%

Allocated Costs by FERC Accounts:

303000	\$67,374	\$0	\$0	\$0	\$0	\$67,374
375000	\$0	\$5,646	\$0	\$0	\$0	\$5,646
376000	\$0	\$0	\$747,132	\$0	\$37,995	\$785,127
378000	\$0	\$82,517	\$0	\$0	\$0	\$82,517
379000	\$0	\$271,438	\$0	\$0	\$0	\$271,438
380000	\$0	\$0	\$0	\$0	\$246,966	\$246,966
397000	\$14,036	\$0	\$0	\$5,589	\$0	\$19,625
	\$81,410	\$359,601	\$747,132	\$5,589	\$284,961	\$1,478,693

(1) Primarily engineering work

(2) Avista supplied pipe/contractor installation

(3) Includes Avista gas meters and distribution pipe pressure work/contractor work & equipment on customers side of the meter

(4) The allocation percentages were derived from initial cost estimates.



Oregon Depreciation Rates
as of September 4, 2007

FERC	Description	Depreciation Rate
303000	MISC INTANGIBLE PLANT	varies *
303100	MISC INTANGIBLE PLANT-SOFTWARE	5 year life
303110	MISC INTANGIBLE PLANT-PC	5 year life
374200	DISTRIBUTION PLANT-LAND OWNED IN FEE	0.0%
375000	DISTRIBUTION PLANT-STRUCTURES	3.0%
376000	DISTRIBUTION PLANT-MAINS	3.4%
378000	DISTRIBUTION PLANT-MEASURING & REG STATION - GENERA	4.8%
379000	DISTRIBUTION PLANT-MEASURING & REG STATION - CITY GA	4.7%
380000	DISTRIBUTION PLANT-SERVICES	4.6%
397000	GENERAL PLANT-COMMUNICATION	3.7%

* For miscellaneous intangible plant, each asset is set up with its own depreciable life. In this case we have two assets - one with a 22 year life and one with a 55 year life.